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# **AES Panama & AES Changuinola Presentation to Fitch Ratings 2016 Annual Review**

May 19<sup>th</sup>, 2016

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# Safe Harbor Disclosure

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*This presentation may contain forward-looking statements speculative in nature based on the information, operational plans and forecasts currently available about future trends and facts. As such, they are subject to risks and uncertainties. A wide variety of factors may cause future real facts to differ significantly from the issues presented or anticipated in this presentation, including, among others, changes in general economic, political, government and business conditions. In the event of materializing any of these risks or uncertainties, or if underlying assumptions prove to be mistaken, future real facts may vary significantly. AES Panama or AES Changuinola are not bound to update or correct the information contained in this report.*

# Agenda

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1. Company Overview
2. Market Update
3. Financial Update
4. Key Debt Metrics
5. Projections

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# 1. Company Overview

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# AES in Panama: Company Overview

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Largest generation company in Panama with 21% market share



Well diversified portfolio with run-of-river, reservoir facilities and bunker fueled engines



World class operations with high availability factors and experienced management team



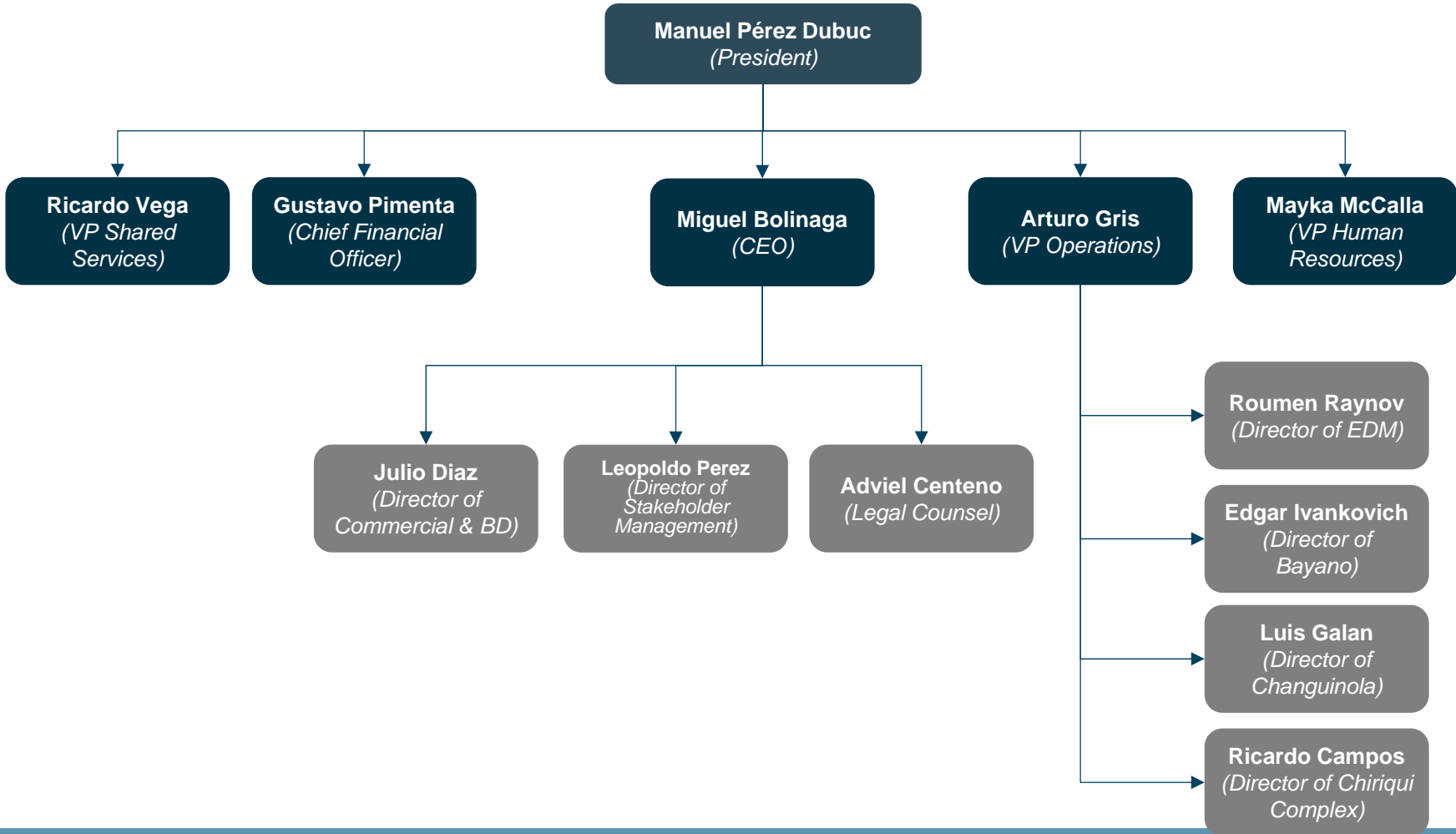
Uniquely positioned in a fast growing and investor friendly market



Majority government ownership, privately managed and controlled

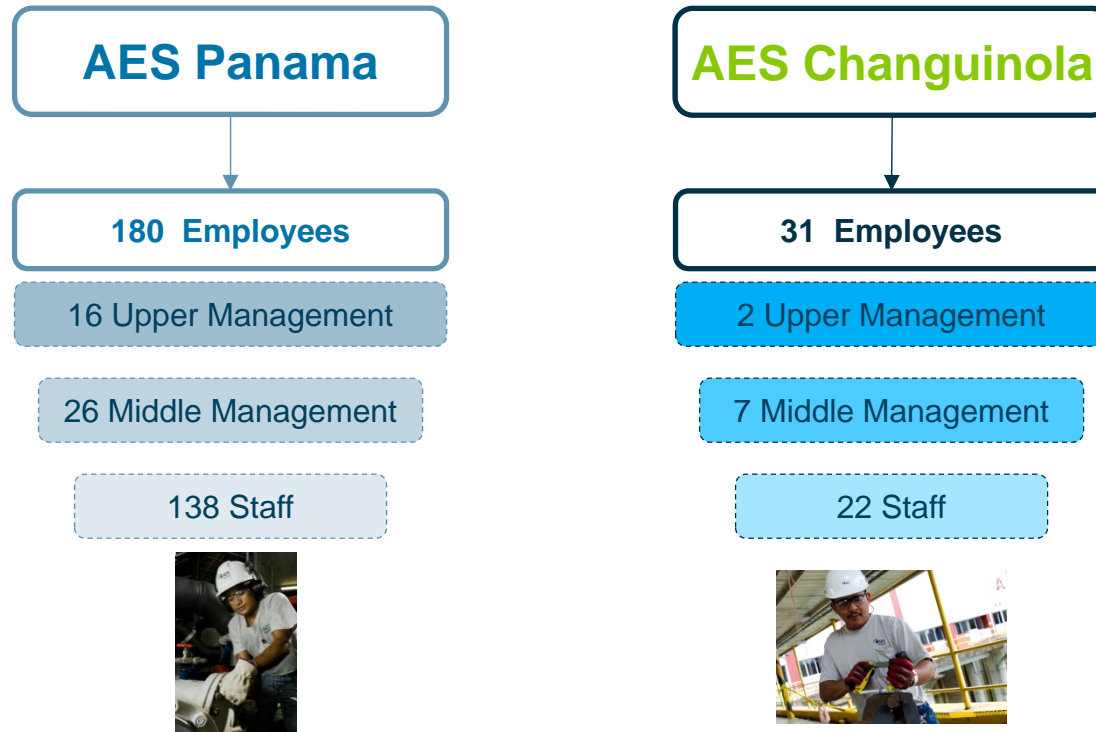
# AES Management Team

AES Panama has a highly experienced management team, with an average tenure of eight years, unmatched sector expertise and on-the-ground working knowledge.



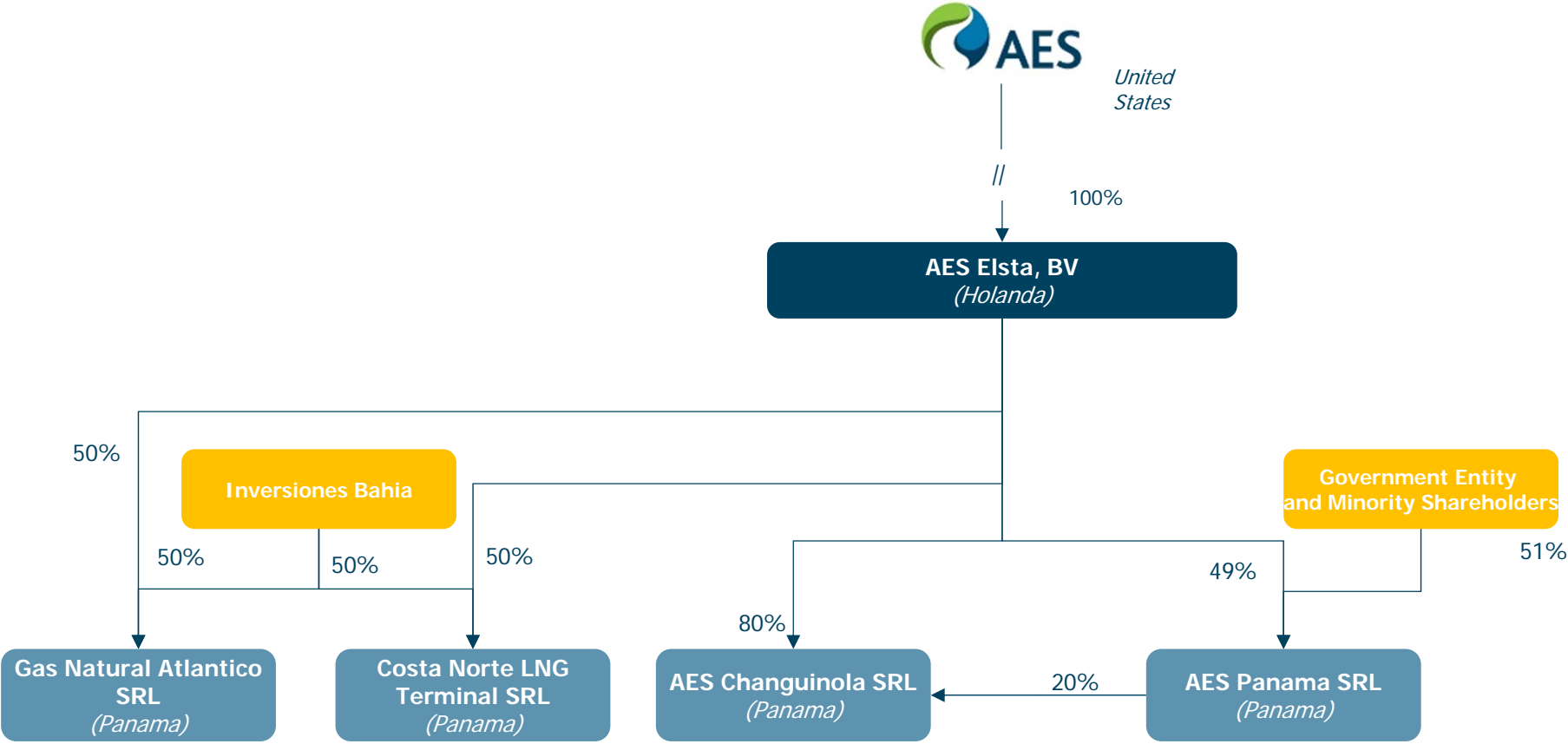
# AES in Panama Employees

As of March 31<sup>st</sup>, AES in Panama employs 211 people, with upper management accounting for 9% of this total.



# AES in Panama: Company Overview

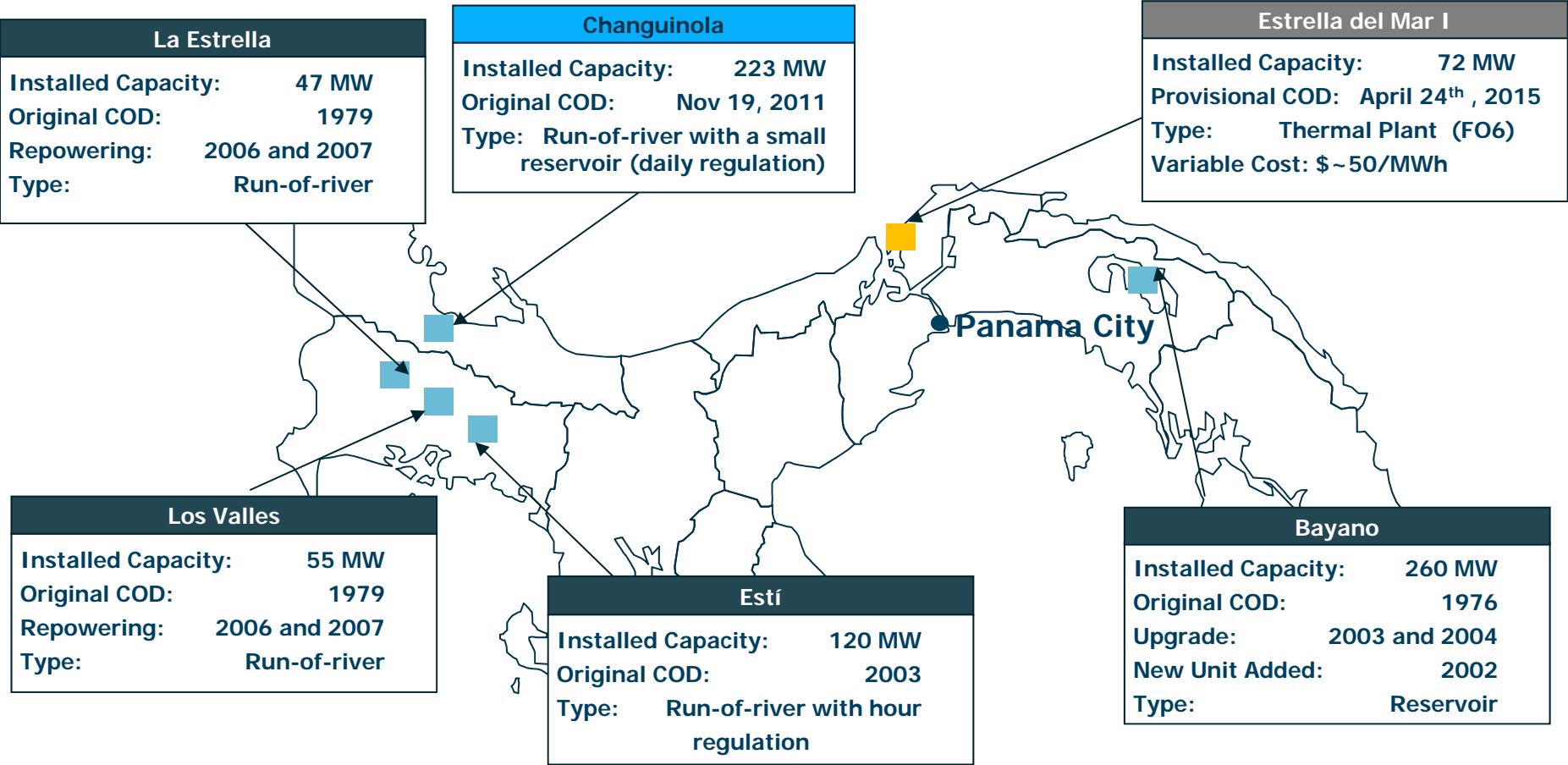
## Corporate Structure





# AES in Panama: Company Overview

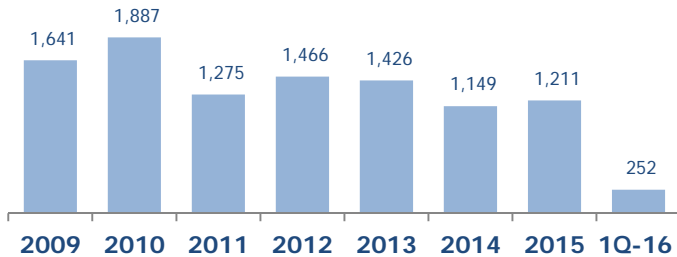
As of March 31<sup>st</sup>, AES supplies 21% of Panama's total demand and, with its current 777 MW, has 26% of the installed capacity of the country.



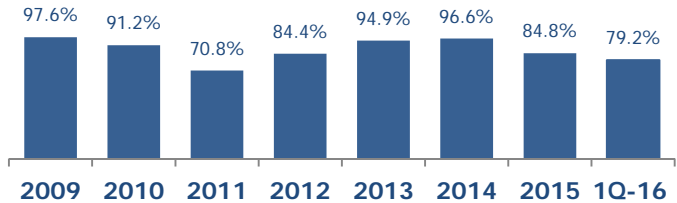
# Key Operating Overview

## AES Panama Hydro

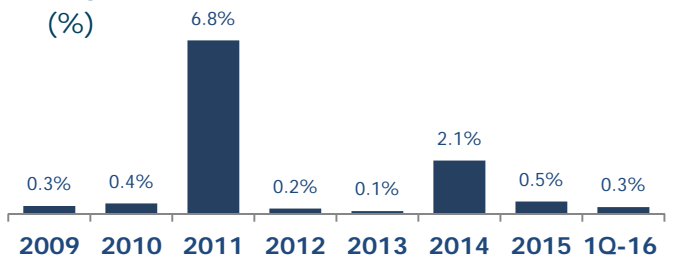
Net Generation  
(GWh)



Availability Factor  
(%)



Forced Outage Factor - EFOR  
(%)

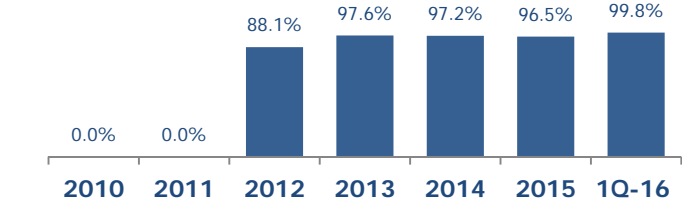


## AES Changuinola

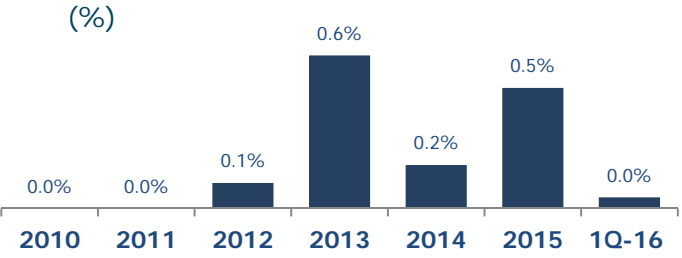
Net Generation  
(GWh)



Availability Factor  
(%)

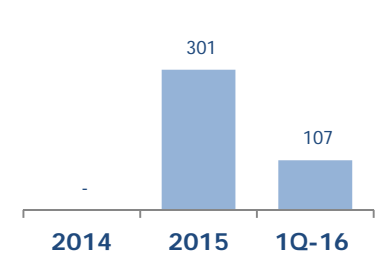


Forced Outage Factor - EFOR  
(%)

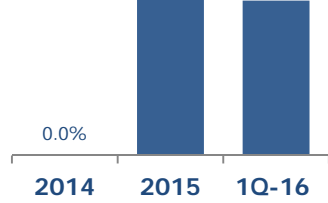


## AES Panama Barge

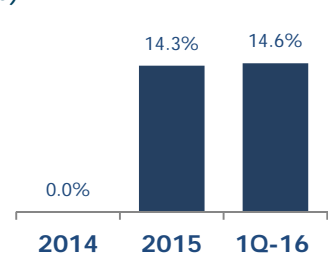
Net Generation  
(GWh)



Availability Factor  
(%)

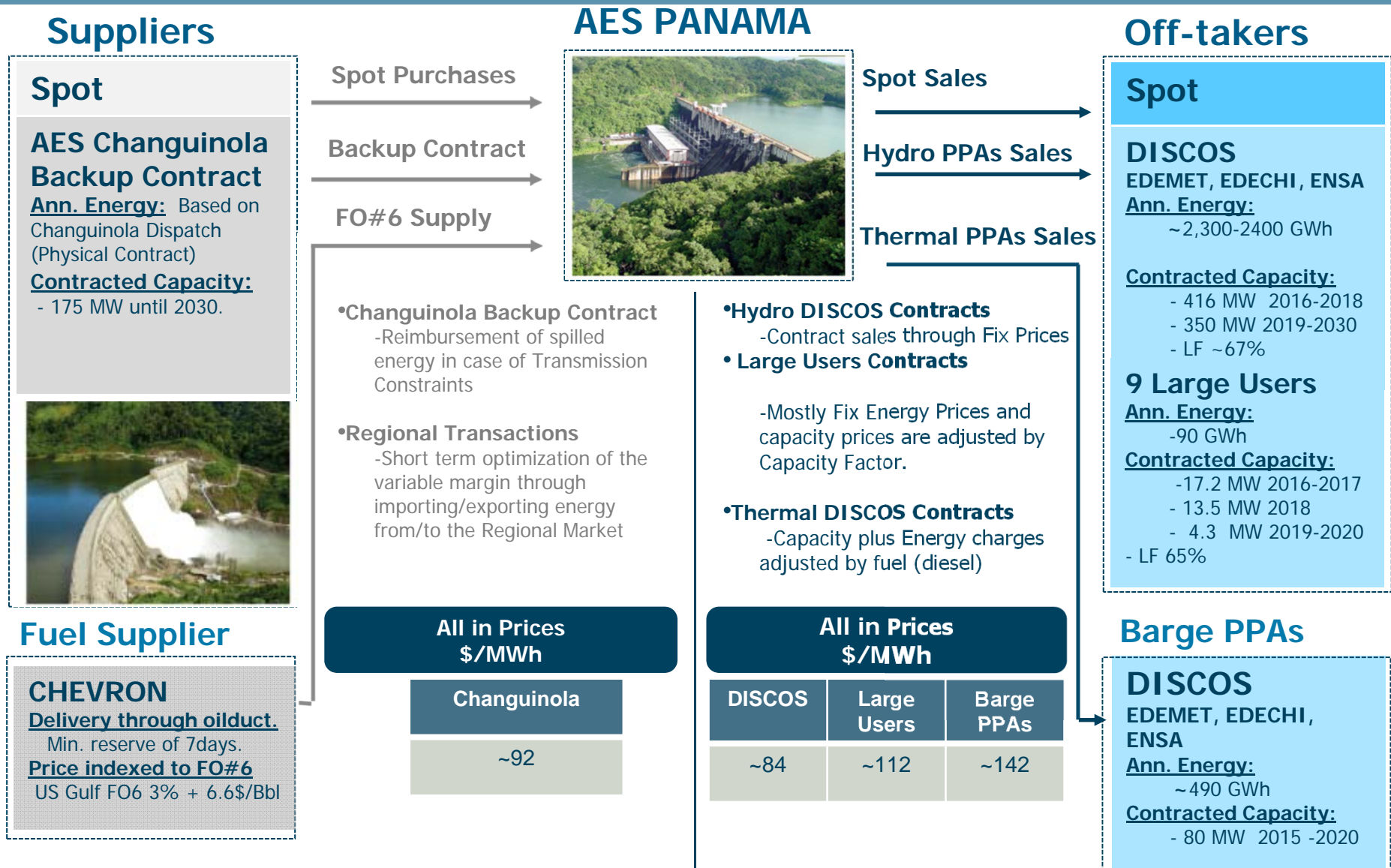


Forced Outage Factor - EFOR  
(%)



Note: AES Panama Hydro EAF during 2010/2012 was affected by the collapse of tunnel Estí and 2015/2016 affected by Bay U1

# Current Commercial Structure



Spot Purchases →

Backup Contract →

FO#6 Supply →

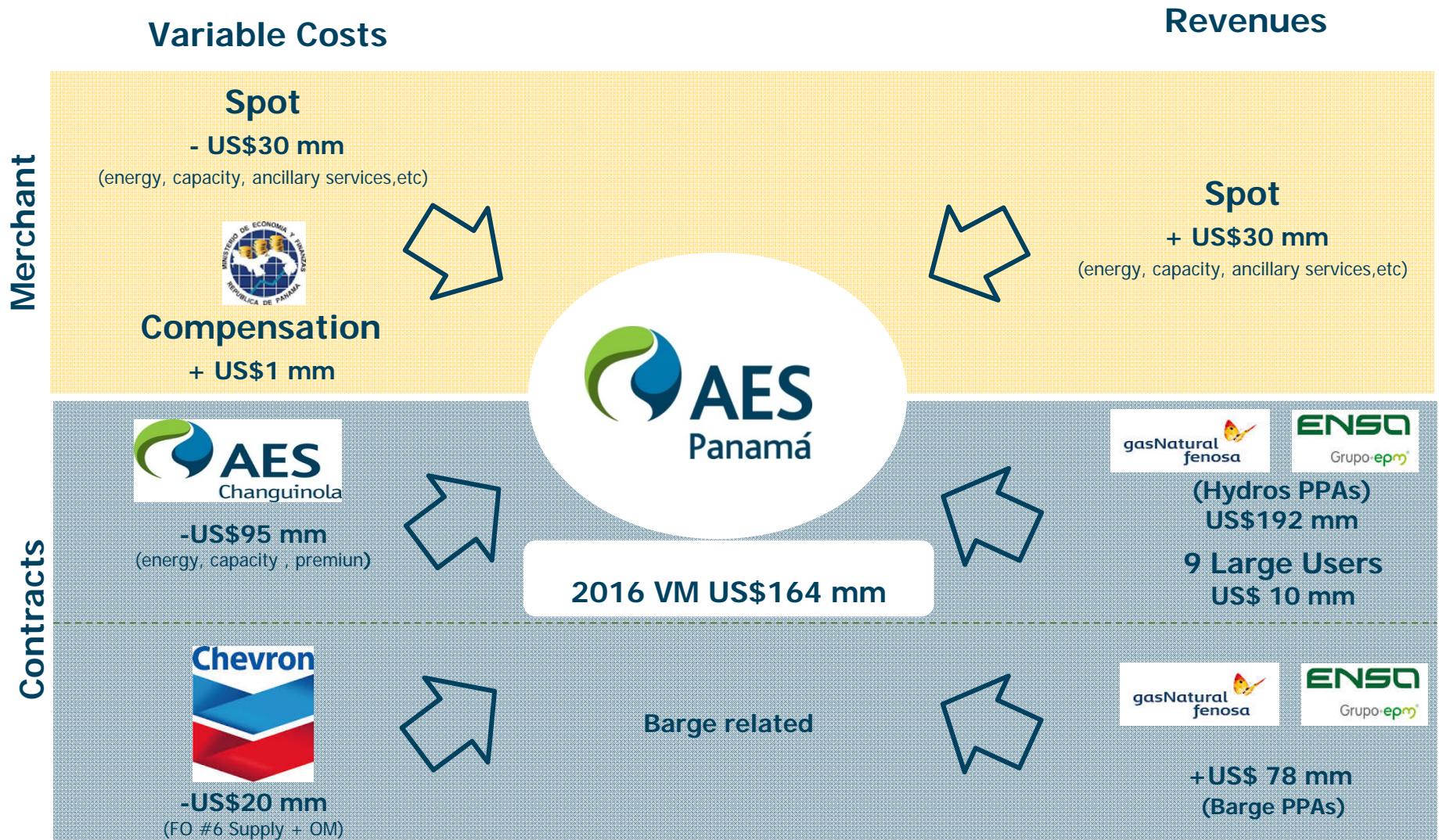
Spot Sales →

Hydro PPAs Sales →

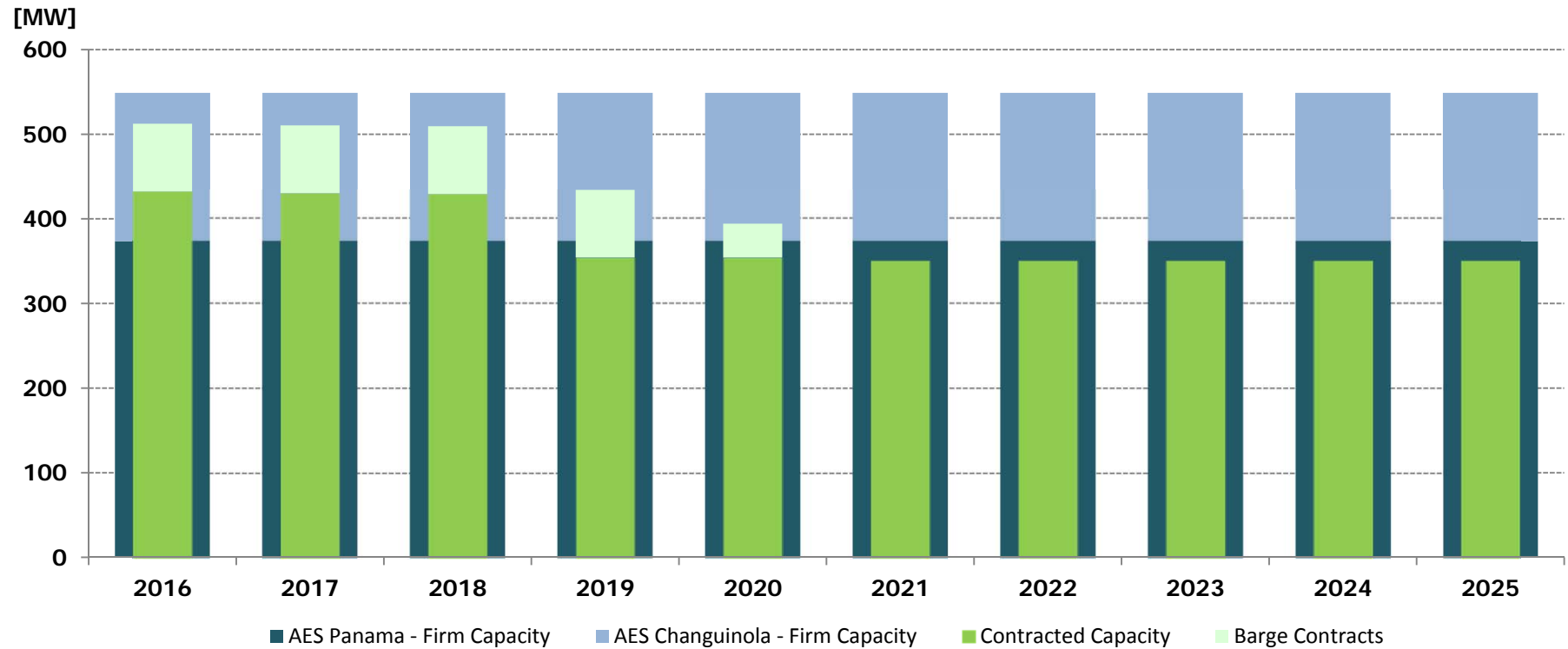
Thermal PPAs Sales →

- Changuinola Backup Contract**  
-Reimbursement of spilled energy in case of Transmission Constraints
- Regional Transactions**  
-Short term optimization of the variable margin through importing/exporting energy from/to the Regional Market
- Hydro DISCOS Contracts**  
-Contract sales through Fix Prices
- Large Users Contracts**  
  
-Mostly Fix Energy Prices and capacity prices are adjusted by Capacity Factor.
- Thermal DISCOS Contracts**  
-Capacity plus Energy charges adjusted by fuel (diesel)

# Variable Margin Composition FYF 2016



# Current Contract Level



Firm and Contracted Capacity [MW]	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AES Panama - Firm Capacity*	374	374	374	374	374	374	374	374	374	374
AES Changuinola - Firm Capacity	175	175	175	175	175	175	175	175	175	175
<b>Total Firm Capacity</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>
Contracted Capacity	433	430	429	354	354	350	350	350	350	350
Barge Contracts	80	80	80	80	40	0	0	0	0	0
MW Available	36	39	39	115	155	199	199	199	199	199
<b>Contract Level %</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>79%</b>	<b>72%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>

\*Firm Capacity includes Barge Thermo Plant

## Current Contract Level (cont.)

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AES Panama is currently at a ~ 93% contracted level. With the current contract maturities, this percentage will go down below 80% by 2019.

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### Distribution Companies

- Annual Energy: ~2,300-2400 GWh
- Contracted Capacity: 416 MW (2016-2018) / 350 MW (2019-2030)
- Avge. Monomic Price: \$84 /MWh / \$112 /MWh

### Large Users

- Annual Energy: ~134 GWh
- Contracted Capacity: 22 MW (2015) / 12 MW (2016-17) / 10 MW (2018)
- Avge. Monomic Price: \$112 /MWh

### Barge PPAs

- Annual Energy: ~ 490 GWh
- Contracted Capacity: 80 MW (July 2015 – Jun 2020)
- Avge. Monomic Price: \$142 /MWh

### AES Changuinola Backup Contract

- Annual Energy: Based on Changuinola dispatch (physical contract)
- Contracted Capacity: 175 MW until 2030.
- Avge. Monomic Price: \$92 /MWh

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## 2. Market Update

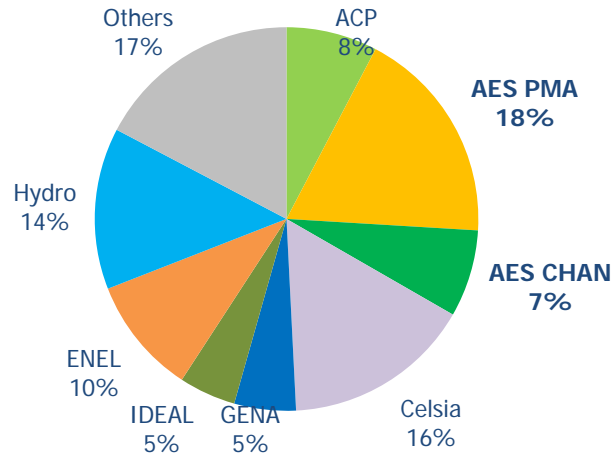
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# 2016 Panama Market Update

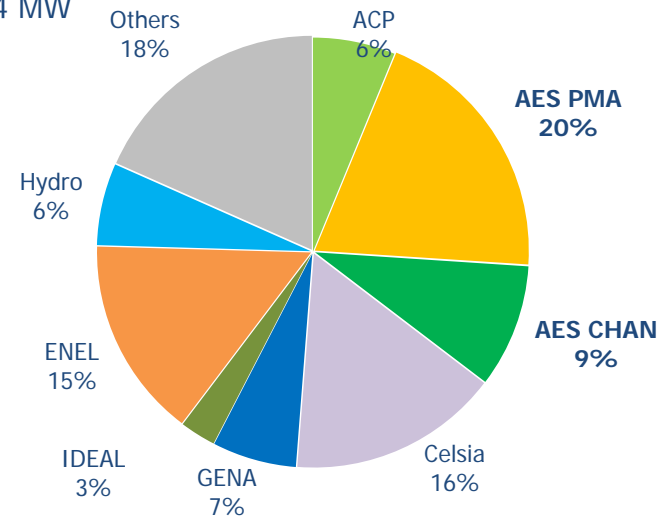
## Installed Capacity, Mar 2016

Total 3,033 MW



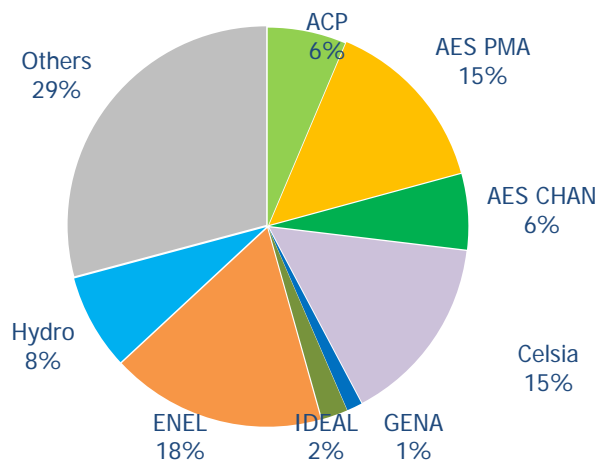
## Firm Capacity, Mar 2016

Total 1,884 MW



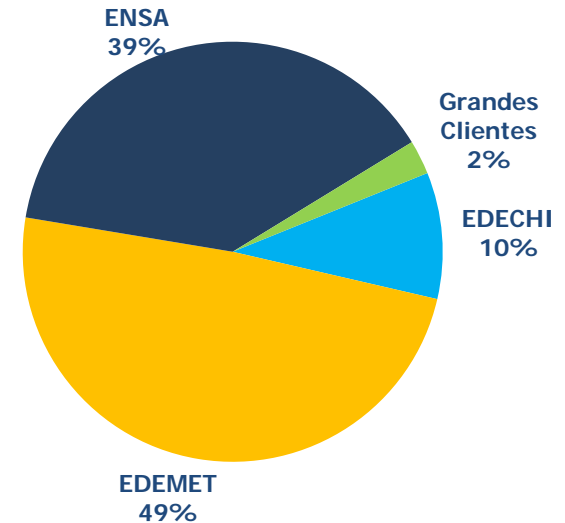
## Generation, YTD Mar 2016

Total 2,490 GWh



## Energy Demand, YTD 2016

Total 2,400 GWh

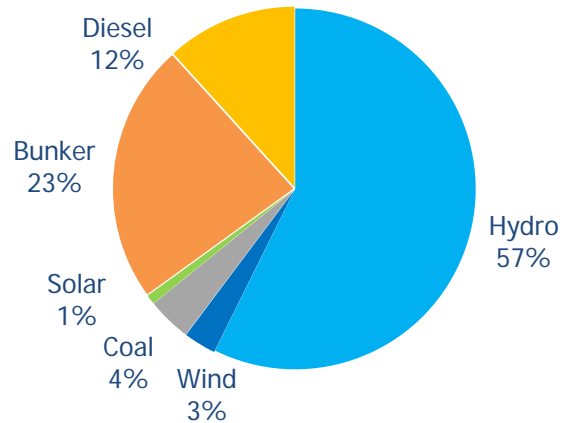




# 2016 Panama Market Update

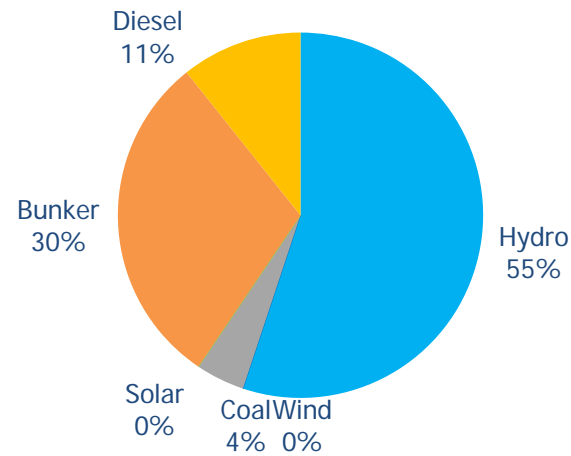
## Installed Capacity, Mar 2016

Total 3.0330 MW



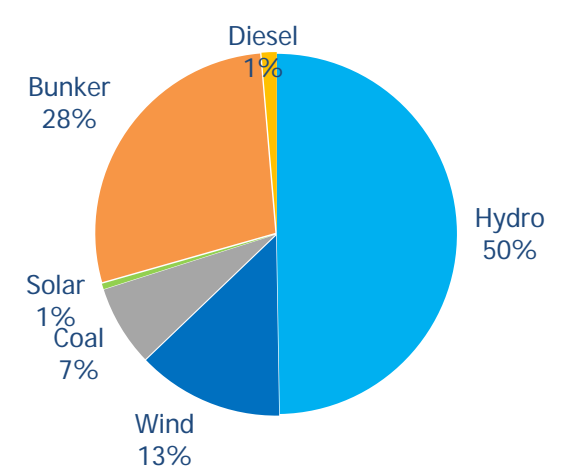
## Firm Capacity, Mar 2016

Total 1,884 MW



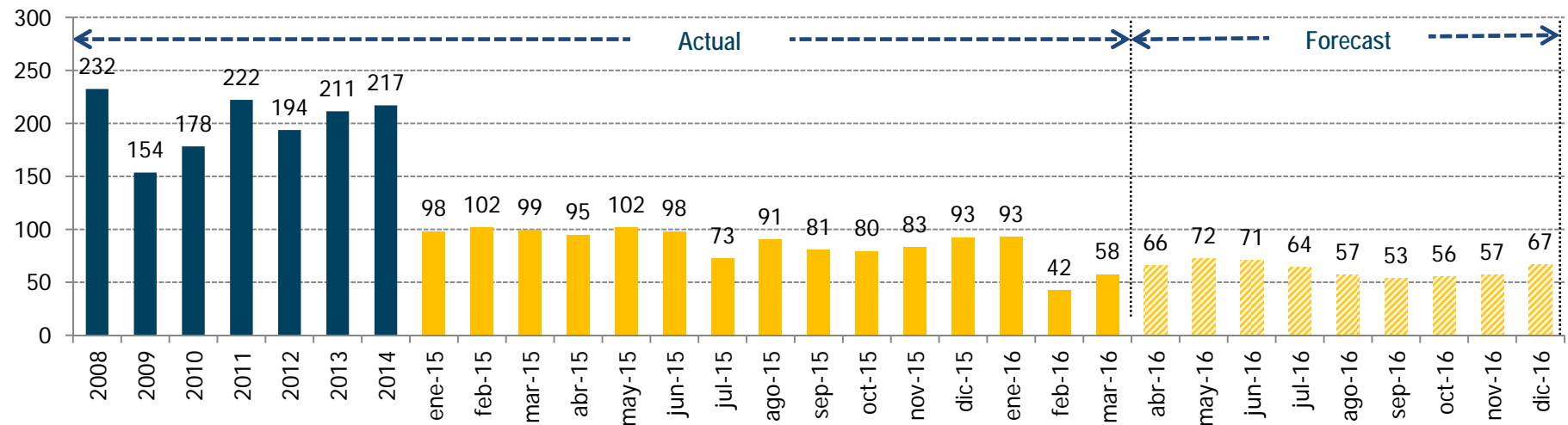
## Generation, Mar 2016

Total 2,490 GWh



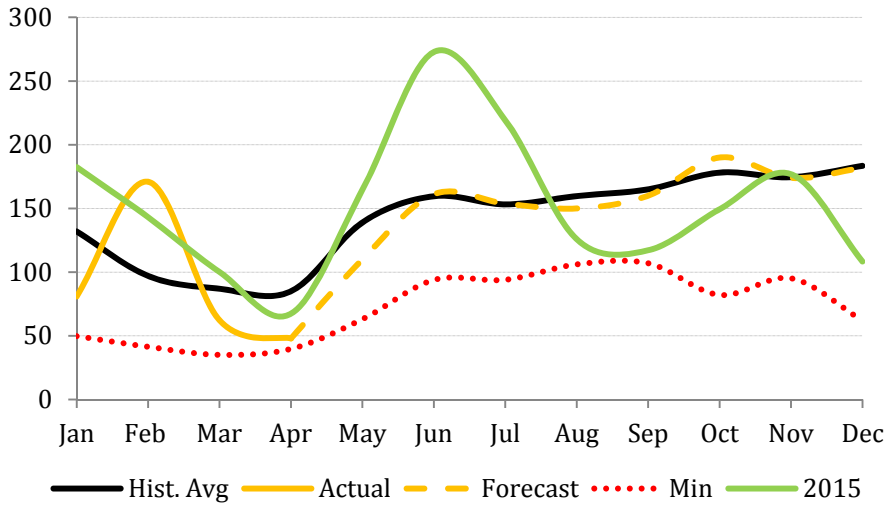
## Spot Price Evolution

US\$/MWh

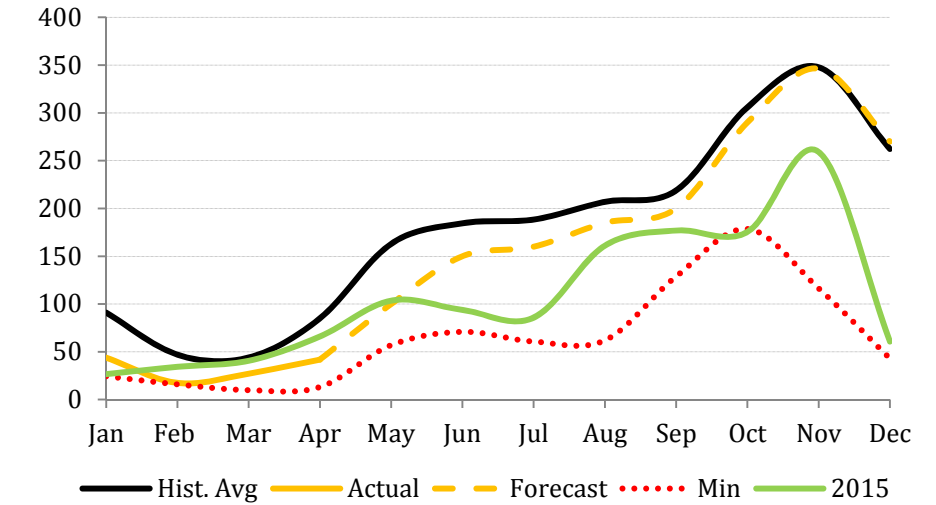


# Panama: 2015-2016 Hydrology

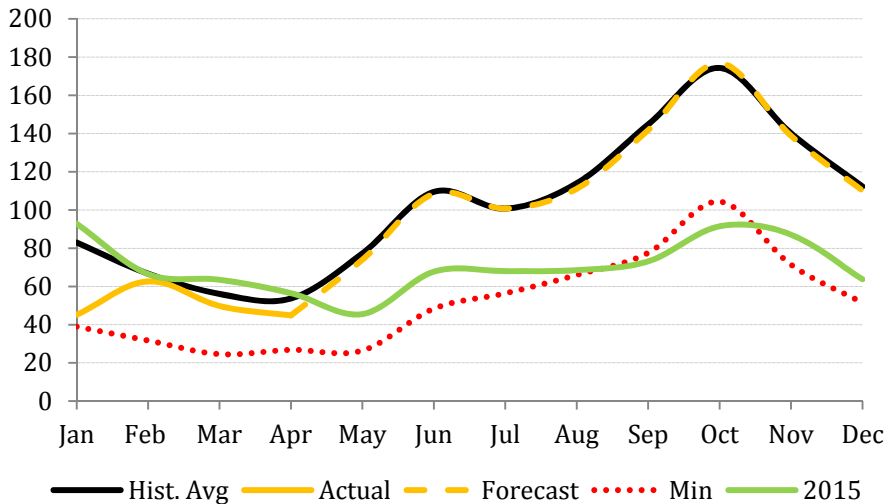
## Changuinola Inflows (m<sup>3</sup>/s)



## Bayano Inflows (m<sup>3</sup>/s)



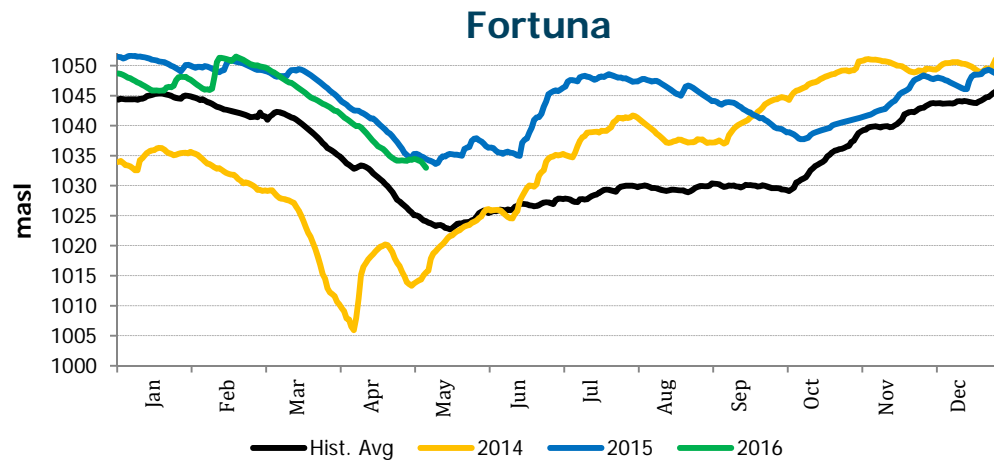
## Chiriqui Inflows (m<sup>3</sup>/s)



- Year to date, inflows are 1%, 23% and 51% below LTA for Changuinola, Chiriqui and Bayano respectively.
- FYF inflows are 4.1%, 5.5% and 14.6 % below LTA for Changuinola, Chiriqui and Bayano respectively.

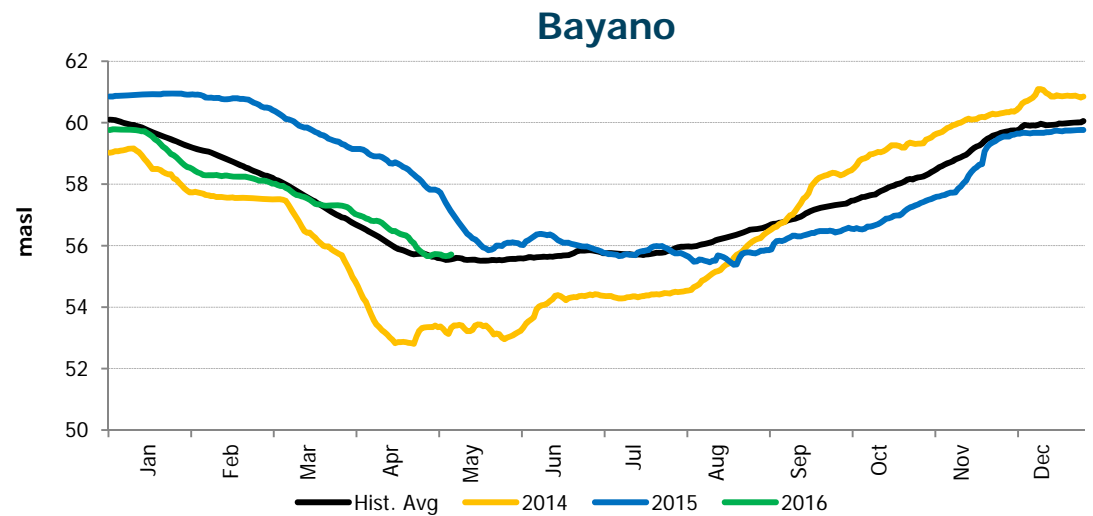
# Panama Reservoir Level Evolution

Bayano Reservoir Level ended slightly below historical average, while Fortuna Reservoir Level ended above historical average.



- Fortuna ended March 2016 at 1042.48 masl, ie 6.7 m above its historical level (~ 1035.82 masl)

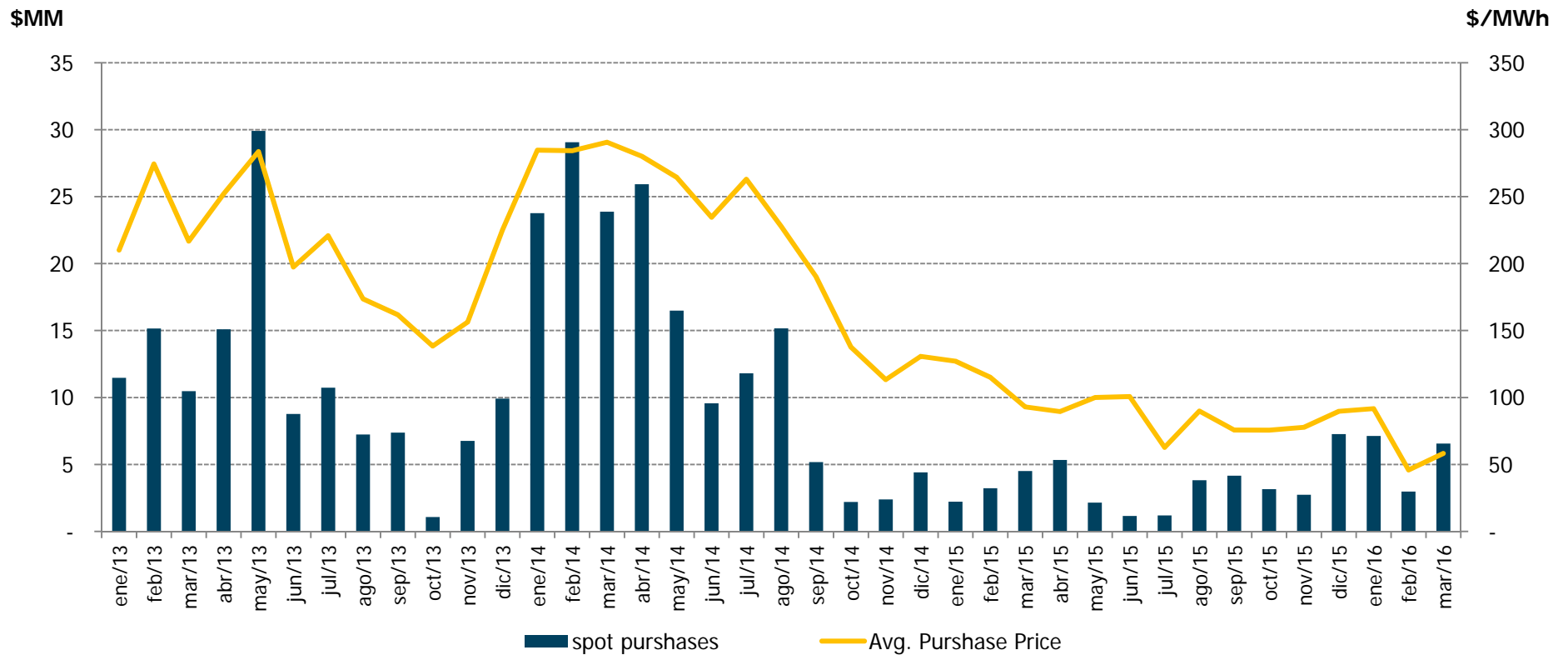
- Bayano end March 2016 at 57.19 masl, ie 0.06 m below its historical level (57.25 masl)



# Spot Purchase Evolution

The spot purchases have slightly increased in the first months of 2016 compared to prior year due to a the reduction in hydrology, but have been offset by a reduction of the spot market price.

## AES Panama´s Evolution of Spot Purchases



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## 4. Financial Update

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# Financial Statements as of December 2015

## AES Panamá, S.R.L.

Value in Millions

## USGAAP

	Dic-2015	Dic- 2014
Generation (Gwh)	1,358.6	985.9
<b>Income Statement Highlights</b>		
Revenues	299,106	261,849
Variable Costs	(152,789)	(210,738)
<b>Operating Income</b>	146,317	51,111
<b>EBITDA</b>	99,704	12,009
<b>Depreciation</b>	(30,323)	(24,074)
Interest income (expense), net	(21,896)	(19,927)
Amortization of Financial Expenses	(1,083)	(644)
Other income (expenses)	5,077	(6,030)
Participation in other Affiliates	5,242	5,387
<b>Other income (Expenses)</b>	<b>(12,660)</b>	<b>(21,214)</b>
Income tax	13,772	(5,127)
<b>Net Income</b>	<b>42,949</b>	<b>(28,152)</b>

## Balance Sheet Highlights

	Dic-2015	Dic- 2014
Cash	33,089	56,469
Restricted Cash	2,635	9,841
Debt	382,618	401,684

## Cashflow Highlights

	Dic-2015	Dic- 2014
Cashflow from operating activities	77,898	(27,815)
Cashflow from investing activities	(28,337)	(43,317)
Cashflow from financing activities	(72,941)	100,748
CAPEX (including in investing activities)	(26,941)	(43,337)

## AES Changuinola, S.R.L.

Value in Millions

## IFRS

	Dic-2015	Dic- 2014
Generation (Gwh)	941.5	720.6
<b>Income Statement Highlights</b>		
Revenues	95,668	77,865
Variable Costs	(7,613)	(5,490)
<b>Operating Income</b>	88,055	72,375
<b>EBITDA</b>	75,092	57,637
<b>Depreciation</b>	(17,215)	(17,145)
Interest income (expense), net	(29,970)	(30,609)
Other income (expenses)	216	450
<b>Other income (Expenses)</b>	<b>(29,754)</b>	<b>(30,159)</b>
Income tax	2,067	(16,627)
<b>Net Income</b>	<b>26,056</b>	<b>26,960</b>

## Balance Sheet Highlights

	Dic-2015	Dic- 2014
Cash	42,156	8,815
Restricted Cash	-	18,441
Debt	398,721	408,554

## Cashflow Highlights

	Dic-2015	Dic- 2014
Cashflow from operating activities	54,016	(14,603)
Cashflow from investing activities	14,939	(489)
Cashflow from financing activities	(35,614)	(10,000)
CAPEX (including in investing activities)	(3,439)	(3,058)

# Preliminary Financial Statements as of March 2016

## AES Panamá, S.R.L.

Value in Millions

## USGAAP

	Mar-16	Mar-15
<b>Generation (Gwh)</b>	<b>230.1</b>	<b>177.2</b>
<b>Income Statement Highlights</b>		
Revenues	75,743	59,313
Variable Costs	(36,315)	(32,137)
<b>Operating Income</b>	<b>39,428</b>	<b>27,176</b>
<b>EBITDA</b>	<b>27,838</b>	<b>16,651</b>
<b>Depreciation</b>	<b>(8,413)</b>	<b>(6,077)</b>
Interest income (expense), net	(5,518)	(5,671)
Amortization of Financial Expenses	(247)	(291)
Other income (expenses)	244	(156)
Participation in other Affiliates	453	1,009
<b>Other income (Expenses)</b>	<b>(5,068)</b>	<b>(5,109)</b>
Income tax	4,121	1,376
<b>Net Income</b>	<b>10,236</b>	<b>4,089</b>

## Balance Sheet Highlights

	Mar-16	Dic-15
Cash	27,974	33,089
Restricted Cash	2,635	2,635
Debt	377,252	382,618

## AES Changuinola, S.R.L.

Value in Millions

## IFRS

	Mar-16	Mar-15
<b>Generation (Gwh)</b>	<b>115.4</b>	<b>184.3</b>
<b>Income Statement Highlights</b>		
Revenues	16,602	23,064
Variable Costs	(1,882)	(1,171)
<b>Operating Income</b>	<b>14,720</b>	<b>21,893</b>
<b>EBITDA</b>	<b>12,009</b>	<b>18,419</b>
<b>Depreciation</b>	<b>(4,316)</b>	<b>(4,281)</b>
Interest income (expense), net	(7,000)	(7,413)
Other income (expenses)	2,143	-
<b>Other income (Expenses)</b>	<b>(4,857)</b>	<b>(7,413)</b>
Income tax	1,393	7,701
<b>Net Income</b>	<b>1,443</b>	<b>(976)</b>

## Balance Sheet Highlights

	Mar-16	Dic-15
Cash	62,949	42,156
Restricted Cash	-	-
Debt	398,763	398,721

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## 5. Key Debt Metrics

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# AES Panama

## Current Debt Structure

### Long Term Debt

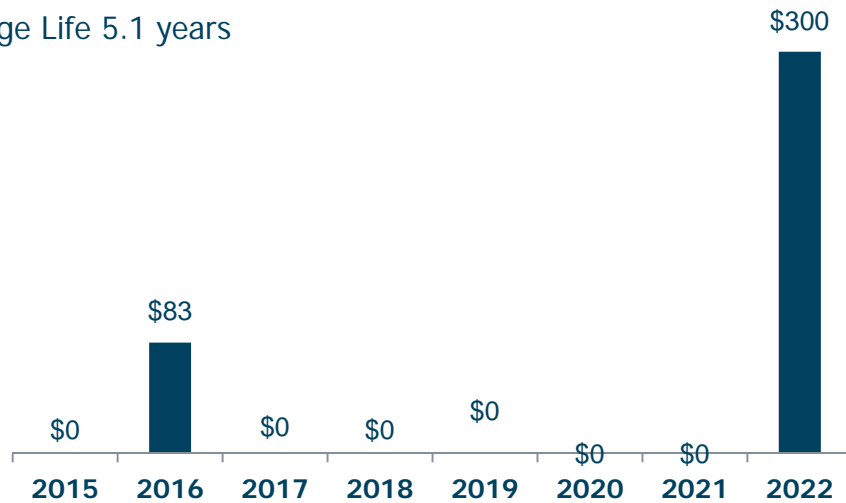
- US\$300 mm of Senior Notes under Rule 144A Reg S.
  - Coupon: 6.0% p.a. / Maturity: June 2022.

### Short Term Debt

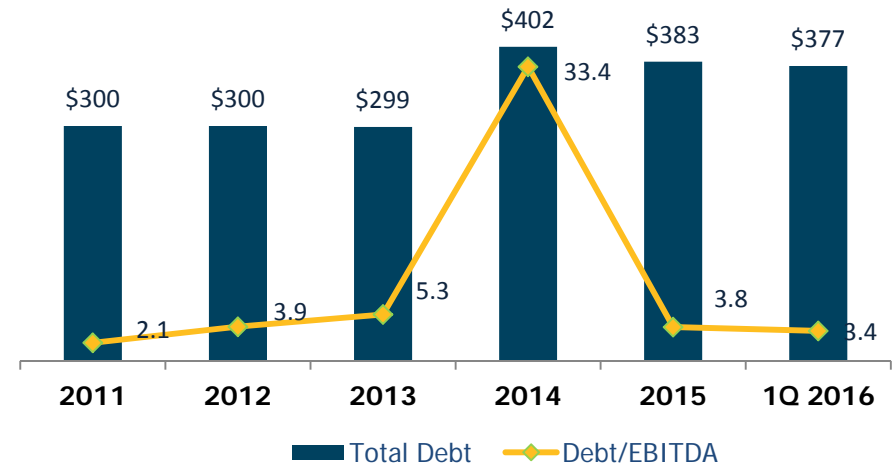
- US\$82.7 mm of Senior Notes under Rule 144 A Reg S.
  - Coupon: 6.35%p.a. / Maturity: Dec 2016.
- \$ 105 mm available in WC Lines. Only US\$ 5mm committed (not drawn)
  - Cost: ~ 3.0%

## Current Debt Profile

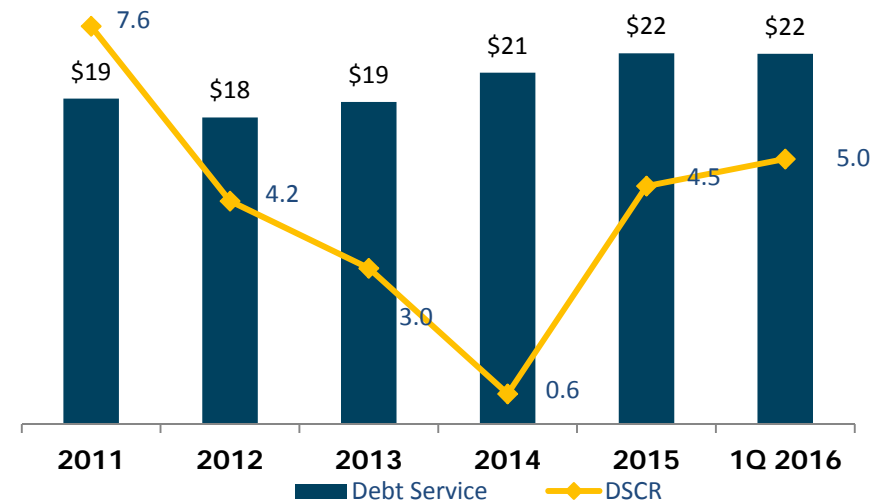
Avg Life 5.1 years



## Total Debt/ EBITDA (\*)



## Debt Service Coverage Ratio



(\*) For 1Q 2016, calculations are made based on last twelve months data

# AES Changuinola

## Current Debt Structure

### Long Term Debt

- US\$200 mm of Senior Notes.(Bullet)
  - Coupon: 6.75% p.a. / Maturity: Nov 2023.
- US\$ 220 mm of Senior Notes (Amortized)
  - Coupon:6.35% p.a. / Maturity: Nov 2023

### Short Term Debt

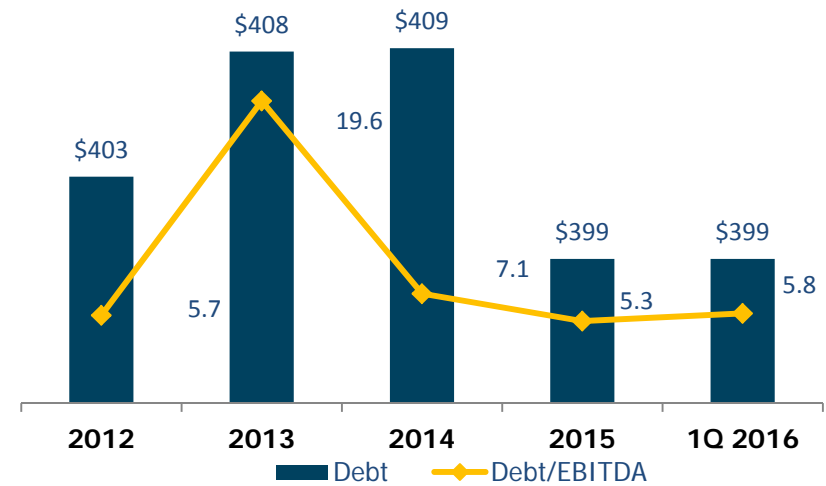
- Company does not currently have short term debt.

## Current Debt Profile

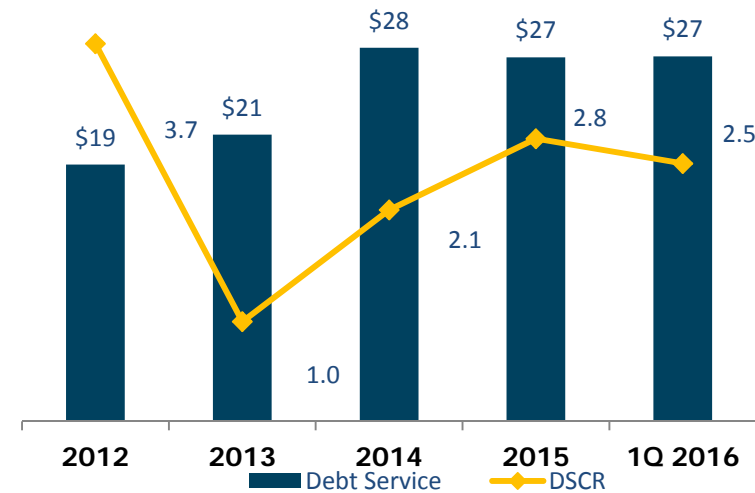
Avg Life 6.5 years



## Total Debt/ EBITDA



## Debt Service Coverage Ratio



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## 6. Projections

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## Key Assumptions

2016 generation continues to be affected by lower than average hydrology. Afterwards, average hydrology is assumed for all of the hydro plants.

Reference Fuel Prices	2016	2017	2018	2019	2020
NYMEX Crude (WTI) (\$/bbl)	43.22	49.00	50.22	51.35	52.50
NYMEX Natural Gas (Henry Hub) (\$/mmBtu)	2.32	3.01	3.04	3.04	3.12
API#2 cif ARA b. 6000 kcal nar (\$/ mt)	46.17	46.70	47.00	47.30	47.35
Gulf Coast FO #6 3% Sulfur (\$/bbl)	29.16	36.69	39.64	42.42	46.46

Capacity (MWh)	2016	2017	2018	2019	2020
Firm Capacity AES Panama	374	374	374	374	374
Firm Capacity AES Changuinola	175	175	175	175	175
<b>Total Firm Capacity</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>	<b>549</b>
Contracted Capacity	511	516	505	430	390
<b>% Contracted</b>	<b>93%</b>	<b>94%</b>	<b>92%</b>	<b>78%</b>	<b>71%</b>

Energy (GWh)	2016	2017	2018	2019	2020
AES Panama Generation	1,727	2,116	1,889	1,816	1,864
AES Changuinola Generation	958	1,074	1,069	1,064	1,073
<b>Total Generation</b>	<b>2,686</b>	<b>3,190</b>	<b>2,958</b>	<b>2,881</b>	<b>2,937</b>
Contracted Energy Sales	2,869	2,837	3,005	3,009	2,771
<b>Net Spot Position</b>	<b>(184)</b>	<b>353</b>	<b>(47)</b>	<b>(128)</b>	<b>166</b>

Avg. Prices (US\$/MWh)	2016	2017	2018	2019	2020
AES Panama Monomic Contract Price	96.20	100.11	99.45	110.33	111.16
AES Changuinola Monomic Contract Price	89.75	86.70	86.74	86.78	86.71
Avg. Spot Price	58.32	69.89	53.27	50.16	38.31

# Generation Expansion Plan

## Long term expansion plan base on LNG and Coal projects

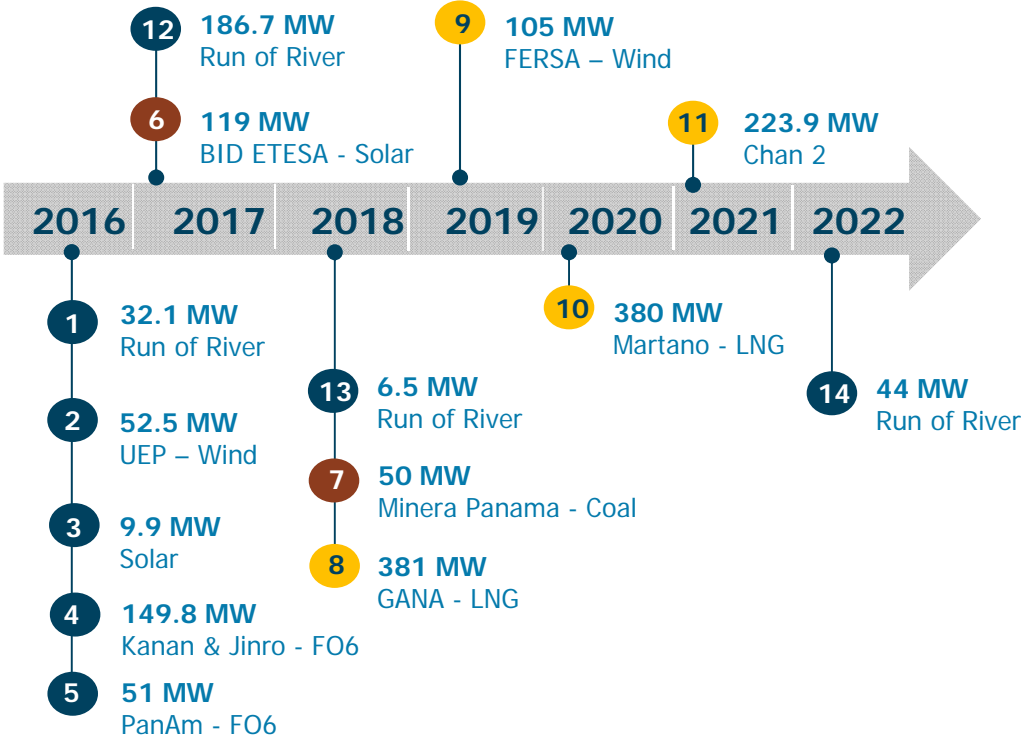
### Locations



### Legend:

- Commercial Operation
- Under construction
- Secured (Awarded bid)
- New Resources needed to maintain supply/demand balance
- Fuel conversion
- Retirement

### Timeline



## 2015-2019 AES Panama Financial Projections

### Values in Thousands

Income Statements	2016	2017	2018	2019	2020
Revenue	303,337	319,623	314,317	352,161	333,481
EBITDA	128,111	154,153	154,163	194,749	178,199
Net Income	24,029	31,227	31,090	45,697	41,513

Balance Sheet	2016	2017	2018	2019	2020
Cash	20,046	20,000	20,000	20,000	20,000
Total Debt	382,011	383,411	383,411	383,411	383,411
Current Debt	-	8,400	8,400	8,400	8,400
Long term Debt	382,011	375,011	375,011	375,011	375,011

Cash Flow	2016	2017	2018	2019	2020
Cash Flow from Operating Activities	65,082	103,602	101,535	139,732	113,007
Cash Flow from Investing Activities	36,242	(11,208)	(7,519)	(9,789)	(2,378)
Cash Flow from Financing Activities	(114,395)	(92,395)	(94,017)	(129,943)	(110,629)
CAPEX	(10,279)	(15,208)	(12,519)	(14,789)	(8,378)

Covenants	2016	2017	2018	2019	2020
Debt to Ebitda	3.0	2.5	2.5	2.0	2.2
DSCR	5.4	6.5	6.5	8.2	7.5

## 2015-2019 AES Changuinola Financial Projections

### Values in Thousands

Income Statements	2016	2017	2018	2019	2020
Revenue	91,204	95,577	95,219	92,684	91,596
EBITDA	68,614	73,118	72,753	70,705	69,952
Net Income	16,756	16,960	17,518	15,272	15,433

Balance Sheet	2016	2017	2018	2019	2020
Cash	9,042	9,704	9,429	9,281	9,680
Total Debt	390,000	370,000	350,000	330,000	310,000
Current Debt	10,000	10,000	10,000	10,000	10,000
Long term Debt	380,000	360,000	340,000	320,000	300,000

Cash Flow	2016	2017	2018	2019	2020
Cash Flow from Operating Activities	43,959	45,972	46,412	43,705	45,358
Cash Flow from Investing Activities	(1,830)	(2,358)	(2,610)	(1,847)	(1,773)
Cash Flow from Financing Activities	(75,251)	(42,887)	(44,077)	(42,006)	(43,186)
CAPEX	(1,737)	(2,358)	(2,610)	(1,847)	(1,773)

Covenants	2016	2017	2018	2019	2020
Debt to Ebitda	5.7	5.1	4.8	4.7	4.4
DSCR	2.0	1.5	1.5	1.5	1.6